

Early Care and Education in the Governor’s 2011-13 Budget

3 Key Items

1. Cuts to Child Care: Wisconsin Shares Child Care Subsidy Program

Wisconsin Shares helps low-income working families afford child care. The Governor’s budget would dramatically reduce funding for this program by over \$112 million in each year of the biennium, from the \$402.5 million base in fiscal year 2011 to \$290 million in 2012 and \$288 in 2013. The cuts would be achieved by:

- implementing a waiting list, increase copayments, tightening eligibility, and adjusting payment rates to child care providers;
- Paying lower rates to child care programs rated at the 2-star level (on a 5-star scale) in the YoungStar quality rating and improvement system; and
- Disqualifying child care programs who receive a low rating (1-star) in YoungStar.

Even though there has been significant savings in Wisconsin Shares over the last two years, these additional cuts have been made. A major factor leading to these cuts was the shifting of \$111 million of federal Temporary Assistance to Needy Families (TANF) funding away from child care and the W-2 program to pay for Earned Income Tax Credits, freeing up state general funds for other uses.

2. YoungStar Changes: Tiered Reimbursement Reductions

YoungStar is a program begun in 2010 to help child care programs improve their quality and to provide ratings on a 5-star scale. The initial design for YoungStar, approved by the Joint Finance Committee in 2010, included fiscal incentives to programs that met higher quality standards—a tiered reimbursement system. The Governor’s budget would implement the tiered reimbursement system, which makes Wisconsin Shares payments based on the quality rating of a program, but with significant changes that would reduce quality incentive payments for 3-5 star programs and reduce payments to 2-star-rated programs. The changes are shown below:

YoungStar Rating of Child Care Provider	Impact on WI Shares Payment: Initial Plan	Impact on WI Shares Payment: Governor’s proposal
One Star	No reimbursement	No reimbursement
Two Stars	No change	5% reduction
Three Stars	5% increase	No change
Four Stars	10% increase	5% increase
Five Stars	25% increase	10% increase

3. Impact on 4-Year-Old Kindergarten (4K)

Four-year-old kindergartens across the state are likely to be affected by the more than \$800 million in cuts to public schools in the Governor’s budget. 4K is funded through the school funding formula, which is taking a significant cut. Currently 85 percent of school districts offer 4K.